# SBIR Proposal Writing Basics: What Comes After Phase I?

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“Wow, what a dumb question,” you might be thinking after reading the title of this article, “the answer obviously is Phase II.” Well, that is only partially correct. There are a number of things that may come after Phase I, so let’s run through the possibilities.

Nothing. Nothing? When would you ever do “nothing” after finishing your Phase I? Well, what if your highly innovative idea that you evaluated in Phase I turns out to be infeasible, meaning it doesn’t solve the problem, or doesn’t solve it any better than competing solutions, or it has some really adverse side effects? Or what if the agency that funded the Phase I is no longer interested in your project, perhaps due to a shift in priorities or a loss in funding? Or what if the agency funded another company in Phase I on the same topic, and the agency likes their solution better? And there’s always the situation where you just don’t bother to pursue the project after the end of Phase I, because you lost interest (or, as companies did in the “old days,” you are an SBIR mill that just does Phase I feasibility studies and never intends to go beyond them). But beware: if you do nothing after your Phase I because you lost interest, or if you have many Phase I’s that prove to be infeasible, then the agencies likely will not want to give you future Phase I’s because you aren’t doing what is intended in the SBIR/STTR programs.

Go to Phase II. Here’s that obvious answer for a Phase I project that proved feasible, meaning it works and does a great job solving the intended problem. The less obvious aspect to this answer is the timing of when you pursue that Phase II. Most SBIR/STTR applicants want to move into Phase II as quickly as possible, to avoid the infamous “funding gap” between the end of Phase I and the start of Phase II. But sometimes you may want to take a more leisurely pace towards Phase II. For example, perhaps you are extremely busy right now on other work, and you would prefer to time the Phase II project so it starts when some of the current work subsides. Another example is when you are waiting for someone or something else to make the environment right for your Phase II project. This might be someone who is completing some research that could be an important input to your project, or perhaps the implementation of a law or regulation that will make customers anxious for the solution proposed in your Phase II effort. We have to add that, while this more leisurely pace may sound good, it has some very serious downsides. For one, if the agency has funded 1 or more companies in addition to yours to solve the same problem, then when you delay in submitting your Phase II proposal, the agency will simply ignore you and pick one of the other Phase I recipients to take to Phase II. For another, your advocate in the agency may move on to another position and his/her replacement may not have the same appetite for your project. And for another, it is generally difficult to exactly time when a Phase II project will be awarded and started for a variety of reasons.

Go to another agency for Phase II. This doesn’t happen as much as it used to, but suppose the agency that funded you in Phase I doesn’t fund your Phase II proposal. You may be able to take your Phase II proposal to another agency to see if they will fund it, through a process called “adoption.” Some agencies like NIH use their Direct to Phase II program to do this.

Go straight to Phase III. It doesn’t happen very often, but occasionally we see SBIR/STTR projects where all of the required R&D was accomplished in Phase I, and therefore there is no need for the additional Phase II R&D funding. In this situation, simply finish Phase I and move directly to Phase III. Put another way, no one says you have to go through Phase II to get to Phase III. Which leads us to our final alternative of what to do after Phase I…

Go to private sector for Phase II. Occasionally we see projects where the, ahem, speed of the Federal government isn’t consistent with when a company needs to have product in the marketplace. In such situations, a Phase I recipient may jump out of the SBIR/STTR program after Phase I, and sell their soul to the devil (aka venture capitalist or angel investor) to get the equivalent of Phase II funded ASAP. Phase I still performs an important role in such projects: it may give the company credibility with investors because its innovation has been vetted by a Federal agency and its reviewers, and it lets the Feds fund the technical risk that Phase I might prove infeasible rather than expecting the vulture… er…venture capitalist to fund it.

In conclusion, as soon as you get your Phase I award, you should be thinking about what you will do when it ends. Keep the alternatives presented in this article in mind as you ponder that next stage, so you will consciously move from Phase I to the next logical step given your project, circumstances, and opportunities.